

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary _ Public

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GAIN Report Number:

Colombia

Post: Bogota

U.S. Corn Tariff Dropped to Five Percent

Report Categories:

Grain and Feed

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Report Highlights:

The duty on U.S. corn imports dropped suddenly from 15% in September to 5% in October due to the effect of higher international prices for corn on the price band system. Colombian importers are actively looking at U.S. corn as a possibility because there is a window for corn imports during the period of December-March when there is little supply of Argentine and Brazilian corn.

General Information:

The duty on U.S. corn imports dropped suddenly from 15% in September to 5% in October due to the effect of higher international prices for corn on the price band system. Although U.S. corn still cannot compete with a 5% disadvantage, this lower duty is likely to create a window for corn imports during the period of December-March when there is little supply of Argentine and Brazilian corn.

Imports from Argentina and Brazil are increasingly more price-competitive due to the preference they receive as Mercosur countries. Under the Colombia-Mercosur trade agreement, these countries a 54% advantage in the price band system. The preferential treatment that Argentina and Brazil receive will only expand per the guidelines of their trade agreement with Colombia. If the CTPA, the US-Colombia Free Trade Agreement, which the U.S. negotiated with Colombia in 2006, were to be ratified by the U.S. Congress, it would put U.S. corn at an immediate, one hundred percent advantage over the price band system and countries obligated to participate in the price band.

According to trade sources, Colombian importers are actively looking at U.S. corn as a possibility because of 1) the duty gap between the U.S. and Mercosur has narrowed, and 2) the fact that 2010 U.S. corn quality is excellent and a contrast from the problematic 2009 crop which suffered from humid climatic conditions. The U.S. transportation advantage is also a positive factor for U.S. corn imports in the next few months.

To close the duty gap to zero, importers can import up to 2.6 million tons of corn in 2010 with the Colombian corn auction system (MAC). Importers that purchased higher-priced Colombian corn during the year were granted import certificates (IBSAs) to import corn at zero duty. These importers are carefully considering if this is the time to use these certificates to buy U.S. corn. Quality continues to play a role in these decisions. In addition, the competitiveness of U.S. soybean meal vis-à-vis Argentine product is another variable, since importers are handling multiple commodities on large-capacity Panamax and Post-Panamax vessels.